

Wednesday, October 1st, 2008

Economic Rescue Plan: You haven't heard from me in about 10 days. Unless you have been living under a rock, I'm sure you know that we have all been a little busy back here in DC dealing with the whole economic crisis and appropriate government response to prevent a financial calamity that would reach into every bank account, every retirement plan and every family looking to borrow any amount from anyone for anything. As many of you probably already know, I not only voted for the Rescue Plan on the House floor on Monday, but I was and have been a strong advocate of it. Here's where we are now:

First of all, we all knew the vote was close but most people thought that somehow it would pass. Bills that reach the floor almost always do. Even many members voting No were sure it would pass and their No vote was going to be a protest vote. After all, the bill had the support of Senator Obama AND Senator McCain. It had President Bush AND Speaker Pelosi both for it. The Majority Leader AND Minority Leader supported it. How could it not pass with that kind of bipartisan horsepower?

Well it didn't. And the atmosphere on the floor as it failed was surreal. We and our staffs are allowed to have blackberries and iPhones on the floor. When the vote stuck for a while down by 13, people were buzzing as we watched the Dow tumble 500 points in minutes....because of what we were doing. Reports were flying that a stop-trading order might be put in place. As the Speaker decided to close the vote down since the numbers had not moved in a while, there was an eerie hush as everyone realized what this meant. There were about 700 people in the room at that point with members, staff, press and citizens in the gallery. It was a shock and no one was quite sure what would happen next.

Why did the bill fail? I think it has been completely mischaracterized in the media as a \$700 Billion Bailout of Wall Street. It is actually none of that. Let me explain further:

\$700 Billion: This amount will not be spent. It is being invested in hard assets (mortgages secured by homes) which will have an expected cash flow in excess of the purchase price. So the taxpayers should get all their money back that way. But if that doesn't work, taxpayers will also get warrants (stock options) in the companies from which these assets are purchased. So, if those companies recover, taxpayers get part of profits. And if both of those don't get the whole

\$700 billion back, whoever is president in 5 years is required to submit to Congress a proposal to get any loss back from the companies who sold the government the assets. That's 3 different ways to be sure the taxpayer is made whole and maybe makes a profit. This bill may wind up costing less than one year's worth of earmarks.

Bail Out: The assets will be bought from companies at probably 30%-60% of what they paid just a year or two ago. If I offered to buy your house that you bought 2 years ago for half what you paid for it would I be bailing you out? I don't think you would look at it that way. These companies will lose lots of money. Fine. They made an investment that went bad and they have to live with it. But they will not be bailed out. Many companies and a number of banks will still fail even with this bill. The purpose of the purchase is to cut out the cancer that is clogging the world's financial arteries so that credit and loans and cash can flow again. No one is being bailed out.

Wall Street: If we do nothing, expect to see many days on the stock market like Monday. That will devastate the retirement plans of millions of everyday people. All forms of credit have already dried up. If they dry up more, companies small and large will not be able to get standard short term loans to buy inventory and make payroll. That means lots of job losses and layoffs. And people with money market funds and bank accounts may not be able to get their money, even with FDIC Insurance because these entities have to sell a loan to get you cash. And no one is buying the loans.

This bill is basically a cost-free plan to stabilize financial markets and save every American's savings and investments, not a bail out.

As I write this, the US Senate is debating their version of the bill. I believe they will pass it overwhelmingly tonight. Perhaps as many as 70 votes or more. Then it will come to the House Thursday for a vote either Thursday or Friday.

That will be D-Day. The Senate will have probably adjourned for the year. So, the House either passes that bill or nothing. It is still a close vote in this House. The so-called "tax extenders," which are the continuation of another of tax credits and deductions may attract some more votes in the House. But it may lose some Democrats, who want to see those or other taxes go up. The bill now also keeps the Alternative Minimum Tax from going up, which it would otherwise do. This provision will stop what would otherwise be about a \$1500 tax increase on almost all California families with incomes over \$75,000.

So, it is still close. But public sentiment, which was overwhelmingly against this bill, has now shifted. So, Congress may shift with it. More and more people are starting to realize how this bill will likely not cost them anything, but not passing it could cost them a whole lot.

I hope and pray that at least 217 of my colleagues will join me in supporting the bill in the next 48 hours.

[Here is my Floor Speech from Monday.](#)

Until next week

I remain respectfully,

Congressman John Campbell